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Misconceptions and myths are circulating through the countryside.

One of those myths has it that the Carter Administration is pursuing a policy of cheap food for the consumer at the expense of the farmer.

Not so.

I detect an increasing enlightenment by both U.S. farmers and consumers about the positive policies of this Administration over the past 20 months -- that American agriculture is moving back to a firmer footing.

More and more farmers, ranchers, and businessmen understand that this Administration has not abandoned the American farmer. President Carter, Vice President Mondale, and Secretary Bergland have made it clear in word and deed, time and time again, that this Administration is -- and will continue to be -- an advocate of the American farmer.

But this Administration also has a balanced policy.

We hope to lay to rest the idea that there must be a sharp dividing line between the farmer and the consumer. There is not, and never has been, except in the minds of some. Farmers need consumers and consumers need farmers.

I submit that a cheap food policy has never been valid. I submit that a cheap food policy has never been possible.

Remarks prepared for delivered by James C. Webster, Acting Director of Governmental and Public Affairs before the Huron Area Outstanding Young Farmers in Huron, South Dakota, Tuesday, September 26, 1978.

Farm prices are not made in heaven. Farm prices are not made by wishful thinking. Farm prices are not made by rhetoric. They are made in the marketplace.

Likewise, farm production costs are not the result of mystical forces. They are real and they lie heavy on farmers' minds.

For the first time in the history of this Republic, we have a farm program that's based both on the realities of the marketplace and the realities of production costs.

We have a system of target prices for the major commodities that is based, like never before, on actual production costs.

And our loan rates are set at levels which will allow farmers to compete in the marketplace.

One might be tempted to call it the best of both worlds.

No farm program should be based on the premise that it guarantees a profit to farmers. Farmers neither expect it nor want it.

The Administration, a majority of the Congress, and most farmers, resisted attempts to set the price of farm commodities at some artificial figure called parity -- a level which would have required greater and more restrictive production controls that American farmers have ever experienced.

We sought to measure the economic well-being of farmers through the cost of production, not parity, because parity is only a price comparison, not a test of income. Parity may show the relationship of the price of a bushel of corn to a pair of shoes, but it has never measured the purchasing power of the farmer.

We objected to setting target prices too high for other reasons.

First, it would invite a new wave of farm speculation that would drive up land prices. Another sharp increase in farmland prices would virtually foreclose any chance for young farmers.

We objected to pegging commodity prices too high because we had to insure the competitiveness of U.S. farm prices.

The levels at which we support grains and other products must be geared to world market prices. And these levels are not set to ensure cheap commodities.

They are the levels which permit American farmers to export one acre in three that cannot be sold here at home.

This Administration is not planning to put the kind of ceiling on farm or food prices that you saw just a few years ago. That, I contend, is indeed a cheap food policy.

President Carter acted early in June to increase the supply of lean beef available to U.S. consumers by permitting only a small amount -- 200 million more pounds of hamburger-grade meat -- but did not throw the doors wide open, as you saw a few years back.

It is not our objective to force lower long-term livestock prices. We recognize the basic economic reality that livestock prices must be substantially higher for the livestock industry to recover from the disaster of the last five years. Prices must be attractive enough to stimulate the long-term rebuilding of herds to increase supplies, not bring on another beef boycott.

I do not believe that a cheap food policy is one that has resulted in net farm income this year that will be $4 to $5 billion above last year's $20 billion.

I do not believe that a cheap food policy is one that encourages U.S. agricultural exports to reach a record $26.6 billion this year.

Loan levels that are competitive worldwide and target prices which over out-of-pocket production costs and a portion of land costs is not a cheap food policy.

A farmer-held grain reserve that supports market prices this year and assures that we will be a reliable exporter next year is not a cheap food policy.

A voluntary set-aside program to help farmers control over-production and maintain market stability is not a cheap food policy.

There's another misunderstanding that's making its rounds in Washington these days.

And that says that we must erect newer, tougher import controls to keep foreign-produced goods out of this country. That's called "protectionism."

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If history has taught us anything about world trade it is this: The nation that lives by protectionism, dies by protectionism.

Those who lived through the Depression years will never forget the results of the tragic Smoot-Hawley Act of 1930 which imposed heavy tariffs on a wide range of industrial and agricultural imports.

Americans paid the price of protectionism in full.

In three years following passage of the act, sales of American industrial goods had dropped 73 percent. Farm exports slumped 67 percent. Our trading partners erected their own tariff walls because they had no dollars to purchase our manufactured or agricultural goods.

World trade touches nearly everyone -- affecting jobs, prices, living standards and the availability of consumer goods -- from automobiles to zippers.

Today, one out of every five jobs in this country produces for exports to other countries. One out of every three dollars of corporate profit in this country derives from international activities of American firms.

The United States not only exports about one-fifth of all its manufactured goods, about $76 billion worth, but sells about one-third of its total agricultural production abroad, roughly $24 billion last year and an anticipated a record $26.6 billion this year.

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The United States remains the world's largest exporter as well as its biggest importer. And exports represent a vastly bigger share of U.S. production than they did just 10 years ago. Until the late 1960's, trade accounted for between 3 and 4 percent of the nation's gross national product. Now it is 6.2 percent for exports and 7.8 percent for imports.

Trade's real importance is seen if it is measured solely against total production of goods alone, as opposed to goods and services combined.

Ten years ago exports accounted for about 12 percent of all agricultural, mining and manufactured goods produced in this country. In 1976, exports accounted for nearly 23 percent of domestically produced goods.

But the other side of the coin is that imports have been rising even faster.

Recently, net exports of agricultural commodities have been large enough to offset a large portion of the deficits of non-farm items. In 1976, for example, farm exports offset all but $3.23 billion of our trade deficit.

This was a reversal from the early 1950's when agricultural trade was in a deficit position and non-agricultural sales abroad brought about a positive balance of trade. In those years, non-farm items posted a $6 billion trade balance while agriculture was running a deficit of about $1 billion.

Over the years steady increases in farm exports, along with growth in manufactured goods, have turned that situation around.

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Farm exports have benefited both the agricultural and non-farm sectors of the United States by generating additional employment and income.

With additional income earned from exports, U.S. farmers can purchase needed goods and services such as fuel, fertilizer. This, in turn, spurs additional economic activity by U.S. manufacturing, trade and transportation sectors. As a result, the purchasing power is spread throughout the total economy.

The oil embargo of 1973, I believe, forced America to recognize the vital importance of farm exports -- if for no other reason than simply to help pay for our massive imports of petroleum.

Another way to help reduce our dependency on foreign oil would be the anticipated passage of President Carter's natural gas bill by Congress.

Increased gas supplies under this bill -- resulting from the availability of new markets and new incentives -- are expected to displace the equivalent of up to one million barrels a day of imported oil by 1985. That is about a 10 percent reduction in total projected imports by 1985 and represents at least a $5 billion annual savings in our balance of trade.

Energy shortages for whatever reason can cause severe disruptions to the production of food and fiber and to our farm exports.

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Under existing law, the food and fiber system is not adequately protected. Under the President's energy proposals, agriculture's needs will be met and at the same time farmers and processors will be protected from rapid natural gas price increases.

If we are to stay true to our commitment to expanding world markets, we must resist more restrictive import practices.

The most pressing challenge in international trade today is to further open the door of international trade as we are attempting to do in the Multilateral Trade Negotiations in Geneva.

The overall purpose of the talks is a reduction of worldwide barriers to exports and imports, including both tariffs and non-tariff barriers -- such as product standards that discourage imports, government subsidies that encourage cut-rate exports and government agency purchasing practices that effectively preclude foreign competition.

President Carter has warned that there can be no overall trade agreement unless importing countries open their doors to more American farm products.

Obviously, we can't close our door for goods from other countries if we expect them to keep theirs open for U.S. wheat, corn, soybeans and fruits.

The irony is that these protectionist pressures, born of the real concerns of major industries and jobs, are rising at a time of unparalleled American dependence on foreign trade.

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We do not contend that Washington has all the answers. But we are convinced that we are on the right track toward a long-range food and agricultural policy that recognizes the close independence of our farmers, our consumers and foreign trade obligations.

Cheap food and trade protectionism are not bargains for anyone.

Let us together dispell the myths.

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